

Before the
Postal Regulatory Commission
Washington, DC 20268-0001

Periodic Reporting
(Proposal Ten)

Docket No. RM 2015-19

**National Association of Postmasters of the United States Comments on the Proposed
Changes in Analytic Principles Used in Periodic Reporting (Proposal Ten)**

September 25, 2015

Pursuant to Order Number 2666, the National Association of Postmasters of the United States (NAPUS) respectfully submits these comments in response to the Postal Regulatory Commission's (PRC) Notice and Order of Proposed Rule Making on Periodic Reporting, dated August 17, 2015. In this Docket, the U.S. Postal Service proposes to change analytical principles relating to consolidation of Cost Segments (CS) 3 and 4 for the purposes of constructing the Cost and Revenue Analysis (CRA) Report.

NAPUS represents active and retired postmasters, the managers-in-charge of United States post offices, and has a strong interest in the implementation and ongoing financial and operational transparency of *POStPlan*.¹ The merger of the two cost segments for post offices in CAG K-L with CAG A-J could unintentionally impede a strict cost analysis, obscuring precise financial comparisons among small and rural post offices. Specifically, NAPUS is concerned that merging the two cost segments may make it extremely difficult to compare post office categories prior to *POStPlan* implementation versus after its implementation. NAPUS believes that it is in the public interest to ensure that there is an effective means to compare pre- and post-implementation costs to fairly and comprehensively assess the initiative.

In Docket Number N2012-2, the Postal Service proposed to reduce post office hours to better meet workload, and projected saving of more than \$517 million.² As part of the PRC's 2014 Annual Compliance Review, the Postal Service recalculated its savings to about \$250 million.³ As part of its explanation for the savings reduction, the Postal Service asserted that a portion of the forgone savings is due to the limited save-pay for Postmasters who managed *POStPlan*-impacted post offices; however, NAPUS believes other factors may also play a role in the uncertainty of cost projections. For example, NAPUS is concerned that the Postal Service may not be accounting for certain *POStPlan*-related labor costs, including the settlement of union grievances, costs of litigating such grievances, and staffing adjustments. NAPUS is also concerned that the Postal Service may not be allocating the costs by office level. For example, it would be

¹ Docket Number N2012-2

² N2012-2, Response to Presiding Officer's Information Request No. 1, Question 10

³ ACR2014, Responses of the United States Postal Service to CHIR No. 13, Question 15(a)

instructive for the PRC to know the total financial impact of converting Level 18 post offices to Level 6 post offices, many that have been classified as CAGs H-J. Moreover, NAPUS is concerned that the aggregation of CS 3 and 4 will inadvertently make it difficult to make accurate cost comparisons between post offices classified CAGs K-L and those classified as CAGs H-J. NAPUS notes that the Postal Service does not have “specific plans in mind” with regard to using the merged CS 3 and CS 4 to analyze the effects of *POStPlan*.⁴ In addition, NAPUS notes that the PRC considers CAGs K-L as distinct for the purposes of calculating the cost of the universal service obligation. The Postal Service has used a more expansive definition, CAGs H-L.⁵ NAPUS believes that the distinctions among the small and rural post offices may have relevance to the current docket, and evaluating costs within the group of small and rural post offices may be prudent.

As we understand Proposal Ten, the costs of smaller and rural offices, will be aggregated with larger offices. Hence, extracting data may be difficult. We understand that under current postal accounting comparisons of CS 4 may be already be problematic due to the limited sampling of certain rural locations; therefore, it might be reasonable for the Postal Service to increase the sampling of such post offices categories. In addition, should the Postal Service proceed with the consolidation of CS 3 and CS 4, NAPUS believes that it would be suitable for Postal Service to develop a means to extract the data for the Postal Service and the Congress to properly evaluate all attributable costs by post office level to facilitate credible comparisons among the small and rural post office that have been impacted by reduced hours.

Respectfully submitted,

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⁴ RM2015-19, Responses to CHIR 2, Response 2(b)

⁵ *Report on Universal Postal Service and the Postal Monopoly*, Postal Regulatory Commission, 2008, page 136-138.